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# GROUPIED INCOME SHARES

LIMITED  
MAY 21 1958



A  
NORTH  
AMERICAN  
FUND

6th ANNUAL REPORT

YEAR ENDED MARCH 31st, 1958



# **GROUPED INCOME SHARES LIMITED**

## **OFFICERS & DIRECTORS**

ALLAN H. WATSON, President  
FRANCIS V. LUMB, Vice-President  
ALAN D. JOHNSTONE, Secretary-Treasurer  
GEORGE L. CRAWFORD, Director  
F. C. MANNING, Director  
DONALD C. McDERMID, Director  
W. REES TAPRELL, Director

## **PRINCIPAL BUSINESS OFFICE**

544 Howe Street, Vancouver 1, Canada

## **REGISTRAR AND TRANSFER AGENT**

NATIONAL TRUST COMPANY LIMITED  
Vancouver, Calgary, Winnipeg, Toronto and Montreal

## **CUSTODIAN OF SECURITIES AND DIVIDEND DISBURSING AGENT**

NATIONAL TRUST COMPANY LIMITED  
Vancouver 1, Canada

## **INVESTMENT ADVISORY SERVICE**

A. K. G. REID CORPORATION LTD.  
Vancouver 1, Canada

## **AUDITORS**

MESSRS. DELOTTE, PLENDER, HASKINS & SELLS

# GROUPED INCOME SHARES LIMITED

## PRESIDENT'S REPORT TO SHAREHOLDERS

For the Fiscal Year ended 31st March, 1958

Your Company's 6th fiscal year included a period in which investment values were more severely tested than at any time since the war. It is gratifying to report that your Company was nevertheless able to attain new records in total net assets, shares outstanding, and income from investments, and that there was a marked recovery in the value of its investment portfolio during the later months of the fiscal year.

It gives me very great pleasure to welcome the 312 investors who became shareholders during the year under review. The total number of shareholders at 31st March, 1958 stood at 2088 and the average value of each shareholder's participation was \$2,471.

### 13.2% EXPANSION IN ASSETS

Total net assets of your Company expanded 13.2% during the year, from \$4,557,140 to \$5,158,623, and the number of shares outstanding increased from 1,222,594 to 1,599,334. While these gains were much smaller than the record increases of the previous year, they were very gratifying in view of the relatively difficult investment conditions encountered in 1957-58.

### DIVIDENDS TOTALLED 19.5c PER SHARE

During the twelve months under review your Company distributed a total of 19.5 cents per share.

Distributions were composed of two income dividends totalling 9.5c per share, and the cash proceeds of two stock dividends equal to 10c per share. It is the opinion of counsel that the stock dividends will not be taxable in any respect, and that individual shareholders resident in Canada will be entitled to claim the 20% dividend tax credit as permitted under the Income Tax Act, with respect to the two income dividends.

Canadian taxable corporate shareholders are considered exempt from income tax on both types of distributions.

### INVESTMENT PERFORMANCE

The net investment performance of your Company's shares in the year ending March 31st, 1958, giving effect to distributions paid during the year, was minus 8.4%. The net asset value per share at the end of the year was 13.6% below the figure of one year earlier, and distributions paid during the year amounted to 5.2% of net asset value at 31st March, 1957. Net asset value at March 31st, 1958 was 39.6% higher than at the beginning of the Fund in April, 1952, and the twenty-four dividends paid during your Company's six years of operation totalled 91.94 cents

per share, equal to 39.8% of the initial net asset value. Combined capital growth and dividends for the six year period therefore amounted to 79.4%.

### **INVESTMENT POLICY**

During the year a number of alterations were made in your Company's investment portfolio in the light of changing conditions. The emphasis continued to be placed upon common stocks selected for their outstanding records and prospects of growth and income over the long term, but a small temporary holding of fixed-interest securities and interest-bearing notes was also created during the year. It provides a reserve that is available for purchase of common stocks when especially favourable opportunities arise. Your Company's policy of being at most times wholly invested in common stocks is not changed by the creation of this temporary reserve.

At the 6th fiscal year-end, approximately 31% of your Company's assets was invested in U.S. securities, and 56 companies (42 Canadian, 14 American) were represented in the portfolio.

The most notable changes during the year under review were:— reduction of Metals and Mining from 10.98% to 7.52%; reduction of Petroleum from 10.87% to 8.70%; increase in Construction and Allied from 3.59% to 5.95%; increase in Lumber and Plywood from 1.86% to 3.42%.

### **NEW SERVICES MADE AVAILABLE**

As foreshadowed in the 5th Annual Report, three important new services were made available to shareholders during the year. They are:—

**1. G.I.S. ACCUMULATING TRUST:** This compound-cumulative trust makes possible the automatic reinvestment of dividends without charge or cost to investors. G.I.S. Special Shares and G.I.S. Accumulating Units are interconvertible at net asset value, and investors are thus able to vary the proportions of their holdings on which the dividends are paid out or reinvested. A comparison of Special Shares and Accumulating Units, showing the effect of dividend reinvestment follows:

	ONE GIS ACCUMULATING UNIT WAS EQUAL TO		NET ASSET VALUE PER ACCUM. UNIT	NET ASSET VALUE PER SPECIAL SHARE
Apr. 25, 1952	1.000 GIS SPECIAL SHARES		\$2.31 $\frac{1}{4}$	\$2.31 $\frac{1}{4}$
Mar. 31, 1953	1.024	"	2.48	2.42
"	1954	1.072	"	2.72
"	1955	1.112	"	3.58
"	1956	1.181	"	4.76
"	1957	1.250	"	4.65
"	1958	1.321	"	4.27
				3.23

(NOTE: Accumulating Units were not available before 1957, but their price was calculated on a basis of parity with the Special Shares at the beginning of the Fund's operations, as shown in table.)

The remarkable growth potential of compound investment is strikingly illustrated by the record of a \$10,000 investment made in G.I.S. Series 'A' trust at its commencement in May, 1932, assuming full conversion into your Company's Special Shares in 1952 and reinvestment of all dividends through the 26-year period. At March 31st, 1958, such an investment would have grown to \$143,171, representing a compound growth rate of more than 10% per annum. If dividends had not been reinvested, the total would have been \$79,160, comprising \$32,981 in dividends and a capital value of \$46,179 at 31st March, 1958.

**2. G.I.S. ESTATE PLAN:** This plan makes it possible for shareholders to schedule their investment in the G.I.S. Accumulating Trust on a monthly payment basis. Group life insurance coverage for the scheduled unpaid balance of each two-year contract is provided without cost to those within the 21-55 age bracket. Contract payments range from \$20.83 to \$208.33 monthly, thus giving investors a wide choice. There is also a \$12.50 monthly contract, which is not insured. All contracts run for two years.

**3. G.I.S. REGISTERED RETIREMENT SAVINGS PLAN:** This Plan enables Canadian taxpayers to take advantage of the tax deferment granted on retirement savings in the 1957 Budget and to use G.I.S. Accumulating Trust as the medium for such retirement savings. It has been officially approved as a registered retirement savings plan under the Income Tax Act.

The new services described above all came into operation during the 6th fiscal year, and their value has already been confirmed by the encouraging response they have elicited from shareholders. Descriptive folders are available giving full details of the G.I.S. Estate Plan and the G.I.S. Registered Retirement Savings Plan.

Accompanying this Report there are submitted on behalf of the Board of Directors, the balance sheet at 31st March, 1958 and statements of income, distribution and surplus accounts for the fiscal year then ended, together with the Auditors' Report and summary of investments.

Your Company's officers will welcome enquiries from shareholders relative to this Report or on any phase of your Company's operation.

Yours very truly,

ALLAN H. WATSON,  
President.

7th May, 1958.

# GROUPED INCOME SHARES LIMITED

## INVESTMENT PERFORMANCE

*Six-Year Period April 1952—March 1958*

The following bar graphs show the investment performance of \$10,000 G.I.S. net assets based at 25 April 1952 when the Fund commenced investing. For comparative purposes the official indexes of the Montreal and Toronto Stock Exchanges are combined and also based at \$10,000 as at 25 April 1952. It may be noted that at the end of the six-year period G.I.S. had shown a capital growth of 39.7% compared with a 29.5% gain by the stock exchange indexes.



# GROUPED INCOME SHARES LIMITED

## PROTECTION AGAINST INFLATION

Over 26-Year Period May, 1932—March, 1958

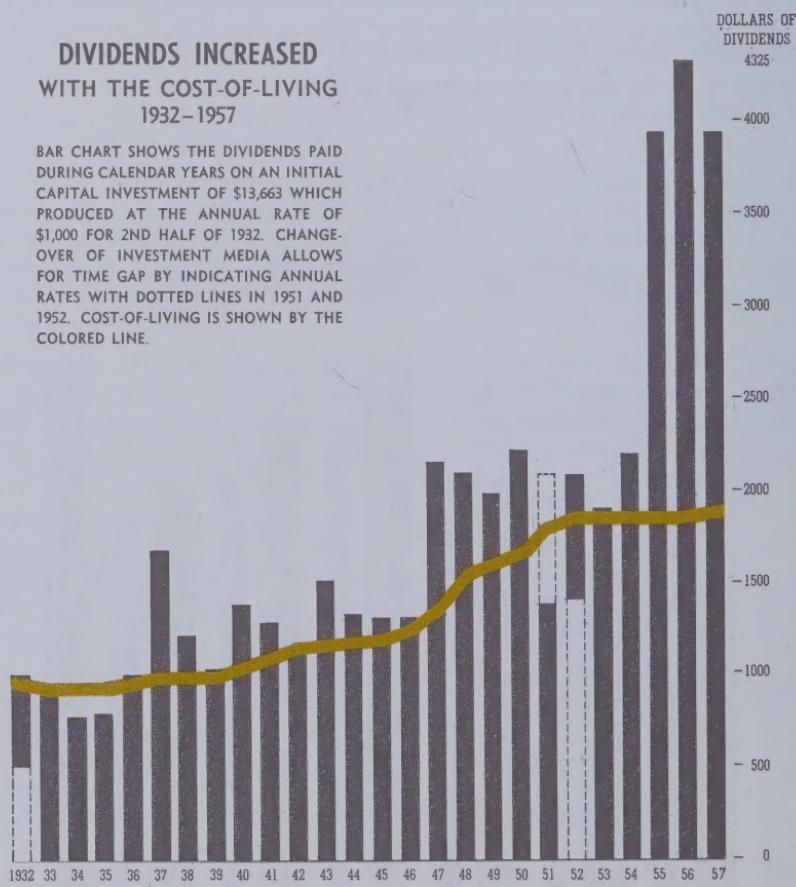
### INVESTMENT MEDIA

28 May 1932 - 1 June 1951—Grouped Income Shares Series "A"

25 April 1952 - 31 March 1958—Grouped Income Shares Ltd.

#### DIVIDENDS INCREASED WITH THE COST-OF-LIVING 1932-1957

BAR CHART SHOWS THE DIVIDENDS PAID DURING CALENDAR YEARS ON AN INITIAL CAPITAL INVESTMENT OF \$13,663 WHICH PRODUCED AT THE ANNUAL RATE OF \$1,000 FOR 2ND HALF OF 1932. CHANGE-OVER OF INVESTMENT MEDIA ALLOWS FOR TIME GAP BY INDICATING ANNUAL RATES WITH DOTTED LINES IN 1951 AND 1952. COST-OF-LIVING IS SHOWN BY THE COLORED LINE.



## CAPITAL INVESTMENT

THE CAPITAL INVESTMENT REQUIRED TO PRODUCE \$1,000 ANNUAL RATE OF INCOME IN 1932 AT THE PUBLIC OFFERING PRICE WAS \$13,663.

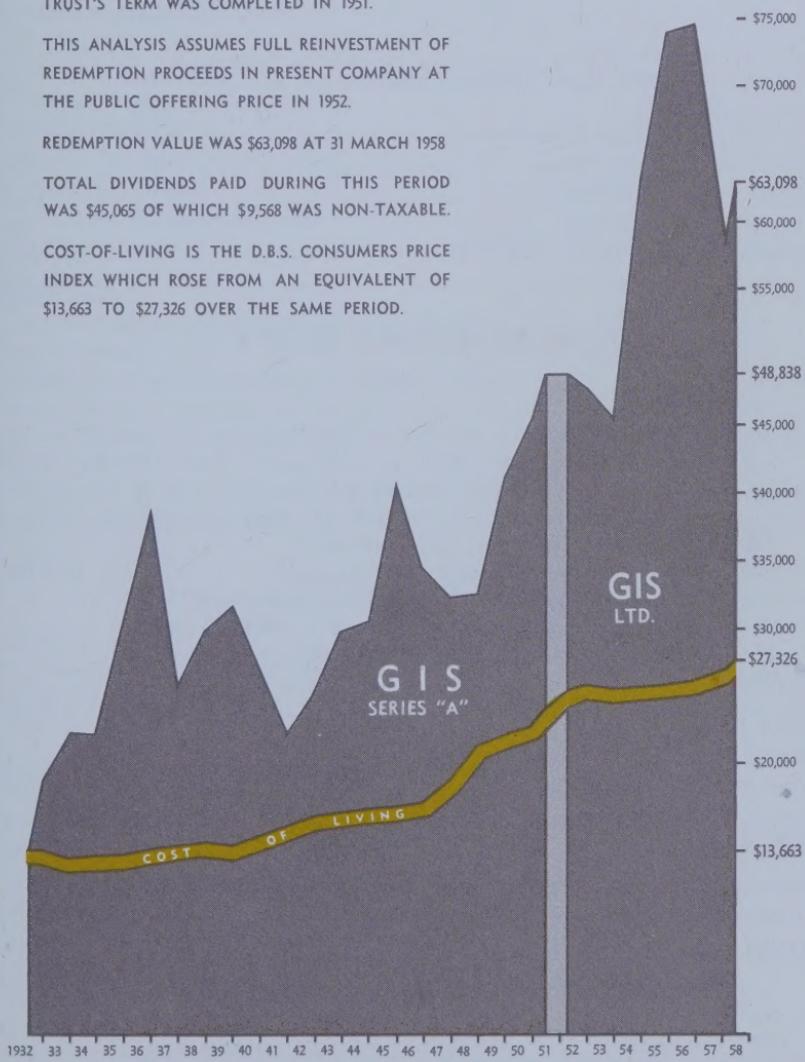
REDEMPTION VALUE WAS \$48,838 WHEN THE TRUST'S TERM WAS COMPLETED IN 1951.

THIS ANALYSIS ASSUMES FULL REINVESTMENT OF REDEMPTION PROCEEDS IN PRESENT COMPANY AT THE PUBLIC OFFERING PRICE IN 1952.

REDEMPTION VALUE WAS \$63,098 AT 31 MARCH 1958

TOTAL DIVIDENDS PAID DURING THIS PERIOD WAS \$45,065 OF WHICH \$9,568 WAS NON-TAXABLE.

COST-OF-LIVING IS THE D.B.S. CONSUMERS PRICE INDEX WHICH ROSE FROM AN EQUIVALENT OF \$13,663 TO \$27,326 OVER THE SAME PERIOD.



# GROUPED INCOME SHARES LIMITED

BALANCE SHEET, MARCH 31, 1958

## ASSETS

INVESTMENTS—At market value (Cost \$5,397,396.82) .....	\$5,105,575.00
<b>CURRENT ASSETS:</b>	
Due from brokers .....	\$72,533.51
Income receivable .....	<u>27,457.97</u>
	<u>99,991.48</u>
<b>CURRENT LIABILITIES:</b>	
Overdraft—National Trust Company Limited .....	10,319.64
Due to brokers .....	15,543.50
Due to Grouped Fund Distributors .....	15,326.83
Sundry accounts payable .....	4,944.66
Income taxes payable .....	<u>808.89</u>
	<u>46,943.52</u>
Current assets less current liabilities .....	<u>53,047.96</u>
Total assets — net .....	<u><u>\$5,158,622.96</u></u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK:

#### Common:

##### Authorized and outstanding:

2,000 shares at 50 cents par value .....

\$ 1,000.00

#### Special (redeemable at shareholders' option)—

    Authorized—10,000,000 shares at 50 cents par value of which  
    268,535 have been redeemed and cancelled.

    Issued and outstanding—1,597,334 shares .....

798,667.00

#### Preferred 5% non-cumulative (redeemable at company's option):

    Authorized—1,000,000 shares at 50 cents par value of which  
    577,476 shares have been issued, redeemed and cancelled.

    Issued and outstanding .....

—

799,667.00

### CAPITAL REDEMPTION RESERVE—

    as per statement attached .....

4,227,772.28

### EXCESS OF COST OVER MARKET VALUE OF INVESTMENTS .....

(291,821.82)

### CAPITAL SURPLUS — Arising from redemption of special and preferred shares, Section 61, Companies Act .....

423,005.50

### EARNED SURPLUS .....

    Total shareholders' equity .....

\$5,158,622.96

Approved on behalf of the Board of Directors:

A. H. WATSON, Director.

D. C. McDERMID, Director.

# GROUPED INCOME SHARES LIMITED

## STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED MARCH 31, 1958

BALANCE MARCH 31, 1957		
NET INCOME FROM INVESTMENTS	\$129,248.05	
TRANSFER FROM CAPITAL REDEMPTION RE-		
SERVE — dividend equalization	11,298.57	\$ 140,546.62
DIVIDENDS PAID		140,546.62
BALANCE MARCH 31, 1958		—

## STATEMENT OF CAPITAL REDEMPTION RESERVE FOR THE YEAR ENDED MARCH 31, 1958

BALANCE MARCH 31, 1957	\$3,455,865.21	
RECEIVED ON SALE OF SPECIAL SHARES—		
excess over par value	\$1,499,456.57	
Less—selling commissions paid	139,090.84	1,360,365.73

### DEDUCT:

Transfer to earned surplus—dividend equalization	\$ 11,298.57	
Stock dividends paid	140,604.70	
Transferred to capital surplus—par value of shares redeemed	179,224.00	
Paid on redemption of special shares—amount in excess of par value	250,410.30	
Loss on sale of portfolio securities	6,921.09	588,458.66
BALANCE MARCH 31, 1958		\$4,227,772.28

## STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 1958

### INCOME:

Dividends on Canadian Securities	\$ 114,921.25	
Interest	4,162.96	
		119,084.21
Dividends on United States securities, converted at current rates of exchange	\$ 56,332.76	
Less—Withholding taxes, net of exchange	8,451.01	47,881.75
		166,965.96

### EXPENSES:

Management fees	\$ 23,761.24	
Custodian fee	6,681.65	
Salary	3,000.00	
Postage, stationery and sundry	1,878.64	
Audit fee	1,550.00	
Income taxes — Canadian	846.38	37,717.91
NET INCOME		\$ 129,248.05

# GROUPED INCOME SHARES LIMITED

## PORTFOLIO OF INVESTMENTS, 31st MARCH, 1958

Investment	Number of Shares	Market Total	Value Percent
<b>AIRCRAFT—3.14%</b>			
Boeing Airplane Company .....	2,400	\$ 85,483	1.66%
Douglas Aircraft Company, Inc. ....	1,400	76,244	1.48
<b>ATOMIC DEVELOPMENT—7.37%</b>			
The Babcock & Wilcox Company .....	2,656	73,937	1.43
Consolidated Denison Mines Limited .....	6,900	90,563	1.76
General Dynamics Corporation .....	2,100	117,940	2.29
Gunnar Mines Limited .....	6,100	97,600	1.89
<b>AUTOMOBILE—2.51%</b>			
Ford Motor Company of Canada Limited .....	1,725	129,375	2.51
<b>CHEMICAL—5.63%</b>			
American Cyanamid Company .....	3,000	129,464	2.51
E. I. du Pont de Nemours & Company.....	500	85,094	1.65
Union Carbide Corporation .....	900	75,928	1.47
<b>CONSTRUCTION AND ALLIED—5.95%</b>			
Asbestos Corporation Limited .....	1,100	34,925	.68
Canada Cement Company, Limited .....	1,200	33,300	.65
Dominion Tar & Chemical Company, Limited ..	6,700	80,400	1.56
Gypsum, Lime and Alabastine, Canada, Limited .....	3,900	124,800	2.42
Standard Paving & Materials Limited .....	900	33,187	.64
<b>ELECTRONICS—4.56%</b>			
Radio Corporation of America .....	3,700	114,694	2.22
Sylvania Electric Products Inc. .....	3,400	120,687	2.34
<b>FARM EQUIPMENT—.94%</b>			
Massey-Harris-Ferguson Limited .....	7,600	48,450	.94
<b>FINANCE—3.60%</b>			
Imperial Investment Corporation Ltd.—“A” ..	4,000	33,000	.64
Industrial Acceptance Corporation Limited .....	2,700	82,350	1.60
Traders Finance Corporation Limited “A” .....	1,100	41,800	.81
Traders Finance Corporation Limited “B” .....	800	28,400	.55
<b>FOOD—3.12%</b>			
Dominion Stores Limited .....	1,300	73,450	1.42
Loblaw Companies Limited “B” .....	3,500	87,500	1.70
<b>LUMBER AND PLYWOOD—3.42%</b>			
MacMillan & Bloedel Limited “B” .....	3,800	96,900	1.88
Western Plywood Company Limited “B” .....	5,900	79,650	1.54
<b>METALS AND MINING—7.52%</b>			
Aluminium Limited .....	3,800	106,400	2.06
The Consolidated Mining and Smelting Company of Canada Limited .....	1,400	25,200	.49
The International Nickel Company of Canada, Limited .....	1,400	101,500	1.97
Kerr-Addison Gold Mines Limited .....	2,800	49,700	.96
Noranda Mines, Limited .....	1,600	64,000	1.24
Steep Rock Iron Mines Limited .....	4,300	41,280	.80

# GROUPED INCOME SHARES LIMITED

## PORTFOLIO OF INVESTMENTS, 31st MARCH, 1958

Investment	Number of Shares	Market Total	Value Percent
<b>NATURAL GAS—6.92%</b>			
International Utilities Corporation .....	5,800	\$ 136,300	2.64%
Union Gas Co. of Canada, Limited .....	2,800	220,850	4.28
<b>PETROLEUM—8.70%</b>			
The British American Oil Company Limited .....	4,000	145,500	2.82
Skelly Oil Company .....	2,800	157,934	3.06
Standard Oil Company (New Jersey) .....	2,900	145,243	2.82
<b>PIPELINES—6.36%</b>			
El Paso Natural Gas Company .....	5,500	156,750	3.04
Interprovincial Pipe Line Company .....	3,300	142,725	2.77
Trans-Canada Pipe Lines Limited .....	1,000	28,375	.55
<b>PUBLIC UTILITIES—4.60%</b>			
British Columbia Power Corporation, Limited .....	2,675	104,994	2.04
Calgary Power Limited .....	1,900	132,288	2.56
<b>PULP AND PAPER—6.79%</b>			
Abitibi Power & Paper Company, Limited .....	3,400	93,075	1.80
Consolidated Paper Corporation Limited .....	2,100	70,613	1.37
Fraser Companies, Limited .....	1,400	34,475	.67
Howard Smith Paper Mills, Limited .....	1,300	37,050	.72
Powell River Company Limited .....	1,000	30,000	.58
Price Brothers & Company, Limited .....	600	22,950	.44
St. Lawrence Corporation Limited .....	5,000	62,500	1.21
<b>RAILROAD—1.85%</b>			
Canadian Pacific Railway Company .....	3,900	95,550	1.85
<b>RUBBER—2.10%</b>			
Goodyear Tire & Rubber Company of Canada Limited .....	700	108,500	2.10
<b>STEEL—8.35%</b>			
Page-Hersey Tubes, Limited .....	1,650	191,400	3.71
The Steel Company of Canada, Limited .....	2,500	133,750	2.59
United States Steel Corporation .....	1,900	105,552	2.05
<b>TOTAL COMMON SHARES .....</b>		<u>4,819,575</u>	<u>93.43</u>
<b>PREFERRED SHARES—.49%</b>			
British Columbia Electric Company Limited, 5 1/2 % cumulative .....	500	25,500	.49
<b>BONDS AND NOTES—5.05%</b>			
		Par Value	
Home Oil Company Limited, 5% 1971, convertible .....	\$ 50,000	58,000	1.12
Westcoast Transmission Company Limited, 5 1/2 %, 1988, convertible .....	50,000	52,500	1.02
Alberta Wheat Pool Demand Notes .....	<u>150,000</u>	<u>150,000</u>	<u>2.91</u>
<b>TOTAL SECURITIES .....</b>		<u>5,105,575</u>	<u>98.97</u>
<b>CURRENT ASSETS LESS CURRENT LIABILITIES—1.03%</b>			
<b>TOTAL .....</b>		<u>\$5,158,623</u>	<u>100.00%</u>

### **AUDITORS' REPORT**

To the Shareholders of  
Grouped Income Shares Limited:

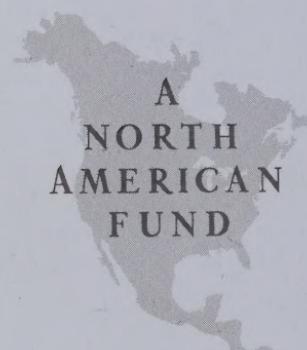
We have examined the balance sheet and the portfolio of investments of Grouped Income Shares Limited as at March 31, 1958, the statements of income, earned surplus, and capital redemption reserve for the year ended March 31, 1958, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We verified the existence of the securities and the cash on deposit by certificate from the depositary. We verified the market value of the securities.

In our opinion the balance sheet, portfolio of investments, and statements of income, earned surplus, and capital redemption reserve present fairly the financial position of the company at March 31, 1958 and the results of its operations for the year then ended according to the best of our information and the explanations given to us and as shown by the books of the Company.

DELOTTE, PLENDER, HASKINS & SELLS,  
Auditors.

April 11, 1958.





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NORTH  
AMERICAN  
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